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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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PALADYNE SYSTEMS, Inc, a Delaware Corporation,	:	Case No.: 07 CV 8421
	:	
	:	
Plaintiff,	:	
	:	
v.	:	
	:	
STPENABLE, LTD., a United Kingdom Company,	:	
	:	
Defendant.	:	
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**DECLARATION OF ALEXANDER KOUPERMAN**

**ALEXANDER KOUPERMAN**, declares as follows:

1. I am President and Director of Consulting Services of InfoHedge Technologies ("InfoHedge"). I submit this declaration in support of Plaintiff's Order to Show Cause seeking a preliminary injunction. I have been retained as an independent consultant in this matter. I have reviewed the memoranda of law submitted by both the plaintiff, Paladyne Systems, Inc, ("Paladyne") and the defendant, STPenable, Ltd. ("STPenable") as well as the

declarations of Sameer Shalaby and Vladimir Agranov executed as of September 27, 2007 and the declaration of David Wynter of STPenable, Ltd executed as of October 17, 2007.

Background

2. I am one of the two founding partners of InfoHedge. I hold Bachelor Degrees in public accounting as well as computer science from the City University of New York. I am also an alumnus of several executive education programs from Harvard University & MIT. I have 12 years of experience in the financial technology industry and have built a number of highly-available technology infrastructures for financial services firms.

3. I have extensive expertise in architecting, building, and implementing financial software applications for financial services companies. Such applications range from Real Time Trading & Risk Management Systems to robust reference data products such as Security Master Databases. Prior to founding InfoHedge, I served as Global IT Director of Alexandra Investment Management ("Alexandra"), a multi-strategy, multi-billion dollar hedge fund.

4. While at Alexandra, I was responsible for developing an early version of the technology that is the platform from which Paladyne has built Paladyne Security Master. We used STPenable's Transformer as our ETL (extract, translate and load) tool to move raw securities data from the Reuters market feed into a relatively simple, single source database. At the time I worked on the technology, it was a single source technology and there was no golden copy database.

5. I am familiar with David Wynter and STPenable, including his background and expertise, from my time at Alexandra. Today, in my capacity as an information services consultant to the hedge fund market, I have an ongoing professional relationship with Mr. Wynter. I sometimes recommend STPenable's Transformer product to clients who have a need for an ETL tool designed to build security master products.

6. I am also familiar with Paladyne. Certain of the developers who worked with me at Alexandra went to Paladyne when it was spun off from Alexandra, including Mr. Agranov. I also sometimes recommend Paladyne Security Master, among other products, to clients who have a need for a securities master software product.

Security Master Products and Golden Copy Database

7. I understand that Paladyne's Security Master is the subject of this case. Like other security master products, Paladyne's Security Master is a software product that gathers and organizes the terms and conditions of various financial instruments into a uniform repository for use by financial services firms.

8. I have used and am familiar with Paladyne's current Security Master product. Roughly speaking, Paladyne Security Master consists of three major components: (1) a "Golden Copy" database; (2) a user interface (or "UI"); and (3) the Transformer product, which functions as the ETL for Security Master. There is also a smaller fourth integration element that involves exporting data to other related financial software products. Of these components, I understand that STPenable is accused of misappropriating Paladyne's "Golden Copy" database and technology.

9. "Golden Copy" is a standard term in this industry that refers to a massive and complex database designed to contain the complete universe of validated and trusted securities related data. The data contained in a "Golden Copy" database is compiled and normalized from multiple sources.

10. Products such as Paladyne's Security Master use raw securities-related data from market feeds such as Bloomberg or Reuters. These feeds are delivered in what is known as "flat-files." While a huge volume of data is presented through these feeds, it is not presented in a useful or manageable form. The process of converting this data from its original sources and forms to a consolidated "Golden Copy" database involves two basic steps.

11. First, to begin the process of organizing the data, an ETL tool is needed to take the data from these feeds, transform the data as necessary into the needed format and upload it into a database. Paladyne uses Defendant's Transformer software tool to perform this ETL function. At this stage, there is a distinct database for each vendor feed.

12. Second, the data is moved from these various vendor specific databases to the Golden Copy database. This process involves very complex mapping processes. For example, the data from the various vendors is presented in any number of differing formats. Therefore, in order to upload it all into a single Golden Copy database, the data must be conformed to a single format. Furthermore, there are a lot of complexities involved in matching data elements of the same instrument that is supplied from different sources.

13. Importantly, the mapping process during this second step is governed by an often complex set of rules for choices. For example, where duplicative information comes in from two different sources, a choice needs to be made as to which source should be used and which source should be omitted. These choices must be informed by a knowledge of the industry and which vendor tends to present better information with respect to certain asset classes (the preferred vendor will vary from asset class to asset class) and by customer preferences and feedback. These rules must be devised and written as part of the development of the golden copy database and are frequently complex to implement.

14. The golden copy database is the "superset" of all the data provided from all the feeds. This is a massive and highly complex product. To give a sense of the magnitude of what is involved, consider just one type of security that needs to be accounted for in the golden copy database: a convertible bond. A convertible bond may have up to 100 or more data parameters in its description, ranging from recent market price information to complex put and call schedules (which themselves include sub-parameters, such as projected date schedules). A golden copy database must be designed and structured to relate not only to the data parameters

for the convertible bond and all of its contractual terms and conditions, but also to the underlying equity security of the issuer and all of the data parameters that relate to that security. There are more than 40 different securities types..

15. Thus, a golden copy database is a massive, normalized database model that is able to store, correlate and cross-reference a phenomenal amount of ever changing and ever expanding data. I happen to know that the golden copy data model of a third party (one of the competitors cited by Mr. Wynter in his declaration), Golden Source, includes over 1000 tables to store data.

16. A golden copy database does more than just house vast amounts of publicly available data. It houses the data in a useful form with relationships between the many tables and fields. For example, when analyzing an investment in one particular security, a potential investor may find it useful to see what other securities have been issued by the issuer. The linking of one security to other securities issued by its issuer is a fairly obvious desirable feature for a successful complex golden copy database to have. But this does *not* mean that the way in which the database is structured and the means by which the relationship is established is either simple, or readily ascertainable by viewing the front end of the product. To the contrary, designing the relationship to relate these two separate data elements in the most efficient technological manner is often tricky and could involve several trial and error through testing with large volumes of data.

17. The golden copy includes numerous other desirable relationships between data fields and tables that are not at all obvious and result in great value to the database and its users. The know-how with respect to what relationships are (or may become) important is the result of much experience in financial products and data modeling, research and development, trial and error, and customer feedback. This additional know-how is what constitutes a successful product and provides a competitive advantage in the marketplace.

18. In my opinion, raw data is not the same as a Golden Copy Database. At the heart of a golden copy database are the complex relationships described above, which are the product of substantial effort, extensive testing, customer feedback, know-how and years of industry experience. These complex relationships, and the business logic and other technology used in creating the architecture of a golden copy database, are *not* something that can simply be pulled from publicly-available sources.

A Golden Copy Database Cannot Be Created In One Man-Month

19. I have read Mr. Wynter's declaration and understand that he asserts that he has created his own golden copy database "from the ground up" (i.e., without using Paladyne's Golden Copy) in one month. In my opinion, that is impossible.

20. In my opinion, it would take more than 6 months of 4-5 experts working full time to build a golden copy. It would require the long term, full time attention of an expert database modeler and financial products subject matter experts with in-depth understanding of every asset class, to accomplish the task. Such process would also require feedback from various industry users in order to understand the data requirements for synthetic products.

21. In my opinion, whether one golden copy uses Microsoft SQL Server stored procedures and a second uses structured query language is of no consequence. Specifically, stored procedures are in fact written using structured query language and as such would be virtually the same if written outside of the stored procedures. Moreover, the language in which the business logic is expressed is of no consequence. In fact there are off-the-shelf-tools that can translate such rules from one language to another. There are also off-the-shelf tools that can import or export the schema of a database from one database model to another.

22. There is ample empirical evidence to support my opinion that a securities master golden copy database could not possibly be created by one man in one month (particularly while I understand Mr. Wynter was working on other projects at the same time, such as supporting Paladyne and other customers he has). For example, I understand that it took Paladyne in excess of 45 man-months. This is more than my estimated minimum.

23. It is also my understanding, based on conversations with a senior development manager from Golden Source, that Golden Source had spent at least one year with approximately ten developers working full time to develop its first production worthy golden copy (i.e., approximately 120 man-months). Golden Source is a very large, well funded and prestigious company with developers of high caliber.

24. The investment of time and effort invested by these companies correlates to the prices customers pay for licenses. Complete security master products sell in the marketplace for hundreds of thousands, and sometimes for millions of dollars per client/per year.

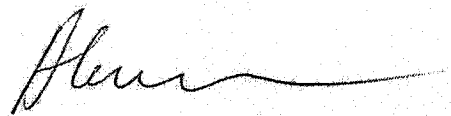
Market Harm To Paladyne

25. I understand that STPenable had entered into negotiations with Advent for a possible business partnership. In my opinion, it is clear that were such a transaction to close, it would be extremely harmful to Paladyne's business. Advent is already deeply in the space of selling software to the hedge fund market. Among its product offerings is Geneva, an accounting software product for this market that is considered to be one of the best products in the space today. Paladyne distributes Geneva and has developed adapter code that allows a client to link Paladyne Security Master to Geneva. If Advent delivers its own security master product, or one it develops based on technology acquired from STPenable, to the marketplace, it would have no further use for a strategic partnership with Paladyne. This would be devastating to Paladyne.

26. Moreover, Paladyne has identified the hedge fund market as a niche in the market for security master products. Although the hedge fund market is growing, only a small number of the existing funds are large and diverse enough to warrant a security master product. Paladyne has focused its product development to serving that niche and has made considerable progress in the past two years in penetrating the market. Its head start and focus is a major contributor to its market share and constitutes a competitive advantage. In my opinion, it would unfairly lose market share and the value of its investment in the company to a competitor that appears immediately on the market with a competitive product developed unfairly through access to Paladyne's Golden Copy and without independently developing its own product through clean research and development techniques. And, a competitor that has no development costs to recoup, would be in a position to significantly undersell Paladyne for this type of product.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 23<sup>rd</sup> day of October, 2007

A handwritten signature in black ink, appearing to read 'Alex', with a long, sweeping horizontal line extending to the right.

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Alexander Kouperman